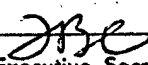


EXECUTIVE SECRETARIAT**Routing Slip**

TO:		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR		X		
4	D/ICS				
5	DDI				
6	DCA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/EEO				
14	D/Pers		X		
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
20					
21					
22					
SUSPENSE		Date			

Remarks:

(Note that DCI also wrote D/OMB directly -
copy attached by ER)

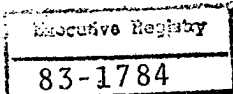

 Executive Secretary

29 March 83

Date

3637 (10-81)

MEMORANDUM



THE WHITE HOUSE

WASHINGTON

March 28, 1983

MEMORANDUM FOR DAVID A. STOCKMAN

FROM: WILLIAM P. CLARK *WPC*

SUBJECT: Civil Service Retirement Reforms

George Shultz and Bill Casey have contacted me about the Civil Service retirement reform proposals. George subsequently followed up with the memorandum to the President at Tab A. They believe that two of the proposed reforms--changes to the early retirement rules and the retirement computation formula (1.5% multiplier proposal)--would adversely affect their organizations by failing to recognize the special hardships and stress associated with serving overseas.

State points out that the 5% adjustment is especially inequitable for Foreign Service Officers because of the Service's selection-out policy, which requires involuntary retirement of officers not promoted within certain time periods. CIA argues that these changes would erode the Agency's capability to perform the President's taskings by causing a disastrous loss of experienced personnel, crowding out promotion opportunities, and harming recruitment efforts.

I realize that you may have sound reasons for arguing to the contrary on these proposed changes. In view of the strong differences of opinion, however, I believe you should send the President a decision memorandum that discusses the proposed changes with input from State and CIA. I would be happy to comment on the memorandum as well.

Attachments

Tab A Shultz memorandum to the President
Tab B CIA letter to the President

cc: George Shultz
Bill Casey
Jim Baker
Ed Meese



P132

TAB A

THE SECRETARY OF STATE
WASHINGTON

March 12, 1983 4:50

MEMORANDUM FOR: THE PRESIDENT
From: George P. Shultz *GPB*
Subject: Proposed Changes in the Federal Retirement System

The Administration is preparing to ask Congress to approve certain changes in the federal retirement system. I am convinced that if those changes are applied to Foreign Service personnel it will have a devastating effect on our ability to attract and retain the qualified people we need. My colleagues in the State Department and I recognize the great need for economy in government, but the Foreign Service merits an exemption because it is clearly distinguishable from the Civil Service in two important aspects.

First, the Foreign Service is similar to the military in that it is based on an "up-or-out" principle. This is a very desirable principle, but it creates a definite risk for our personnel. We want to promote our best employees as rapidly as practical. To do that we cannot have our upper level jobs filled with competent officers who have leveled off in their performance. Therefore we permit officers to remain in a particular rank only for a limited number of years; if they are not promoted within that period they must be separated from the Service even though performing satisfactorily in their rank. This "up-or-out" concept causes us to terminate personnel in their early to mid-fifties, an age at which other employment is very difficult to find. We cannot, in good conscience, maintain such a desirable up-or-out policy unless our retirement system takes adequate care of those who are forced out at a relatively early age.

Second, Foreign Service employees are required to be available for service in any of 249 posts scattered around the world. They can expect to spend over half their careers overseas. In many of those posts our personnel are exposed to disease, a harsh climate, lack of adequate schools, a repressive social system and dangers of physical harm from both terrorists and common criminals.

-2-

Above all they must be prepared to move every two to four years and such constant uprootings create serious family strains for both adults and children.

These two fundamental differences have long been recognized by the fact that Civil Service employees cannot retire with unreduced pensions until age 55 with 30 years of service, whereas Foreign Service personnel have always been able to retire at age 50 with 20 years of service. Now the Administration proposes to reduce all pensions by 5% for each year of age under 60 at retirement, which means that a retiree at 50 will lose 50% of his pension. This would be a severe blow to Foreign Service personnel who have looked to the retirement program as a primary incentive to accept the hazards of the Service and the risk of being terminated in their fifties under the "up or out" principle.

All of the above has been discussed with Dave Stockman. He believes that the exception of any group from the proposed changes would reduce the chances of Congressional approval. On the other hand, I am certain that failure to exempt the Foreign Service will drastically reduce our ability to maintain the caliber of the Service and will produce an immediate and intolerable effect on morale. Furthermore, military personnel are exempted, and our "up or out" policy was copied directly from them and provides the same reason for exemption.

I would urge you to exempt the Foreign Service from the proposed changes and would be pleased to meet with you if necessary to discuss the matter.

TAB B

Central Intelligence Agency



Washington, D.C. 20505

24 March 1983

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

I appreciate the opportunity you gave me last week to discuss my deep concern that certain proposals for changes in the Federal retirement system set forth in the Fiscal Year 1984 Budget would have a severe impact on the Central Intelligence Agency. A detailed report on this matter has been given to a member of your Staff.

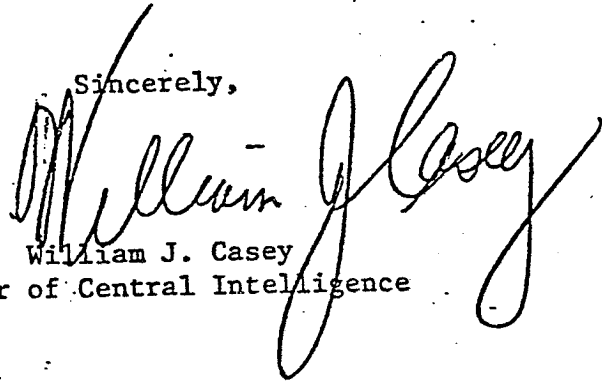
My concern is primarily over those changes which will force employees to work longer in order to earn a full retirement annuity. These changes directly impact on my responsibility as Director and our management of Agency personnel, both those covered by the Civil Service Retirement Act and the limited number who qualify for the Agency's special retirement system.

As far back as 1959, CIA established a policy which encouraged employees to retire at ages substantially earlier than elsewhere in the Federal Government. The policy was established for several reasons: to recognize those aspects of Agency employment where individuals serve anonymously under conditions involving personal sacrifice, stress, and often danger; to maintain a rigorous and productive work-force which is fully and quickly responsive to the Nation's intelligence needs; and to ensure an effective career development program which provides and manages advancement to positions of increasing responsibility. That retirement policy--which has served the Agency exceedingly well these past 24 years--remains an integral part of the Agency's personnel management system. It helps maintain the extremely high level of performance required by CIA's mission and responsibilities by providing the attrition necessary for both career development and recruitment of new employees.

Lengthening the service of Agency employees by as much as ten years would seriously impair the ability of Agency management to move promising individuals up through the ranks. Our mid-career personnel would be hardest hit by the retirement age increase and annuity reduction proposals, and we cannot run the risk that many might choose to leave now rather than face the consequences of these changes.

You know that I fully support your efforts to cut the cost of government and it is for this reason that I was reluctant to seek relief from the proposed retirement changes. I fear, however, that the retirement age increase and annuity reduction proposals will make it exceedingly difficult for us to manage the CIA and to contribute further to your effort to revitalize and enhance the Agency's intelligence capability and product. I request, therefore, that you approve an exemption for CIA from the retirement age increase and annuity reduction proposed in the Fiscal Year 1984 Budget. If you approve, a letter conveying appropriate instructions to the Director, Office of Management and Budget is attached for your consideration.

Sincerely,

A large, stylized handwritten signature in dark ink, appearing to read 'William J. Casey'. The signature is written over the typed name and title.

William J. Casey
Director of Central Intelligence

Enclosure

David A. Stockman, Director
Office of Management and Budget
Washington, D. C. 20503

Dear Dave:

Bill Casey has discussed with me specific concerns he has with the retirement age increase and reductions in annuities for early retirement for Federal employees proposed in the Fiscal Year 1984 Budget. I am informed that a detailed review of these concerns has been provided to your Staff.

Bill described a long-standing Agency retirement policy that encourages retirement at ages earlier than most of the government. He and his senior managers believe that lengthening the age at which employees can earn a full annuity would have a devastating, long-term impact on his key mid-level personnel and will seriously impair the CIA's ability to fulfill its mission. Of equal concern to him is the impact that these proposals would have on the Agency's special retirement program designed primarily to recognize the hardships and special nature of overseas intelligence service.

I am persuaded that Bill indeed would have a very serious problem if these proposals were enacted without considering CIA's special requirements. Accordingly, please ensure that an exemption from the retirement age increase and annuity reduction proposal is granted for CIA personnel, both those covered by the Civil Service Retirement Act and the CIA Retirement and Disability system.

I have asked Bill to get in touch with you directly on the best way to effect this exemption.

Sincerely,

Ronald Reagan